Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Finance FDF

Federal Finance Administration FFA

Basic information

Date: 24 October 2012

Tax-to-GDP ratio 2011

The tax-to-GDP ratio is the sum of all taxes and social security levies in relation to nominal gross domestic product (GDP). It shows the percentage of GDP the general government uses to finance its tasks. In Switzerland, the tax-to-GDP ratio covers all taxes levied by the Confederation, cantons and communes, as well as the public social security contributions to old-age, disability and unemployment insurance, compensation for loss of earnings, family allowances in agriculture and maternity insurance in the Canton of Geneva. Although mandatory, health insurance, accident insurance and pension fund contributions are not taken into account, as these corporations do not belong to the general government sector.

When calculating the tax-to-GDP ratio, the Federal Finance Administration (FFA) uses as a basis the financial statistics figures, which are prepared in accordance with the guidelines of the Organisation for Economic Co-operation and Development (OECD). This ensures comparability with the tax-to-GDP ratios of other OECD member countries.

Today, the OECD published its annual statistics on the tax receipts of the government units in its member countries. Deviations between the published financial statistics and the official OECD results for 2011 are due to newer tax receipt estimates by the FFA in the individual sub-sectors.

There are minor deviations in the financial statistics data relative to the tax-to-GDP ratios published last year, due to the upward revision of nominal GDP carried out by the Federal Statistical Office (FSO) with retroactive effect to 1990. This had a direct impact on the tax-to-GDP ratios. Depending on the year under review, their values are 1 to 2 percentage points lower than previously.

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Increase relative to 2010

The general government's tax-to-GDP ratio has been relatively stable at between 27% and 30% of GDP since 2000 (Table 1). The tax-to-GDP ratio can be divided into the so-called "tax ratio", which reflects the tax receipts of the three sub-sectors Confederation, cantons and communes in relation to GDP, and the contribution ratio of the social security funds. Figure 1 shows the tax ratio compared with the tax-to-GDP ratio, while Table 1 expands on this picture with the values for the contribution ratio of the social security funds. Throughout the entire period under review, the tax ratio and tax-to-GDP ratio moved more or less in parallel, with few exceptions. The social security funds' contribution ratio also changed very little between 1990 and 2011 (up 1.1 percentage points).

Figure 1: Switzerland's tax-to-GDP ratio and tax ratio, 1990-2011, in % of GDP

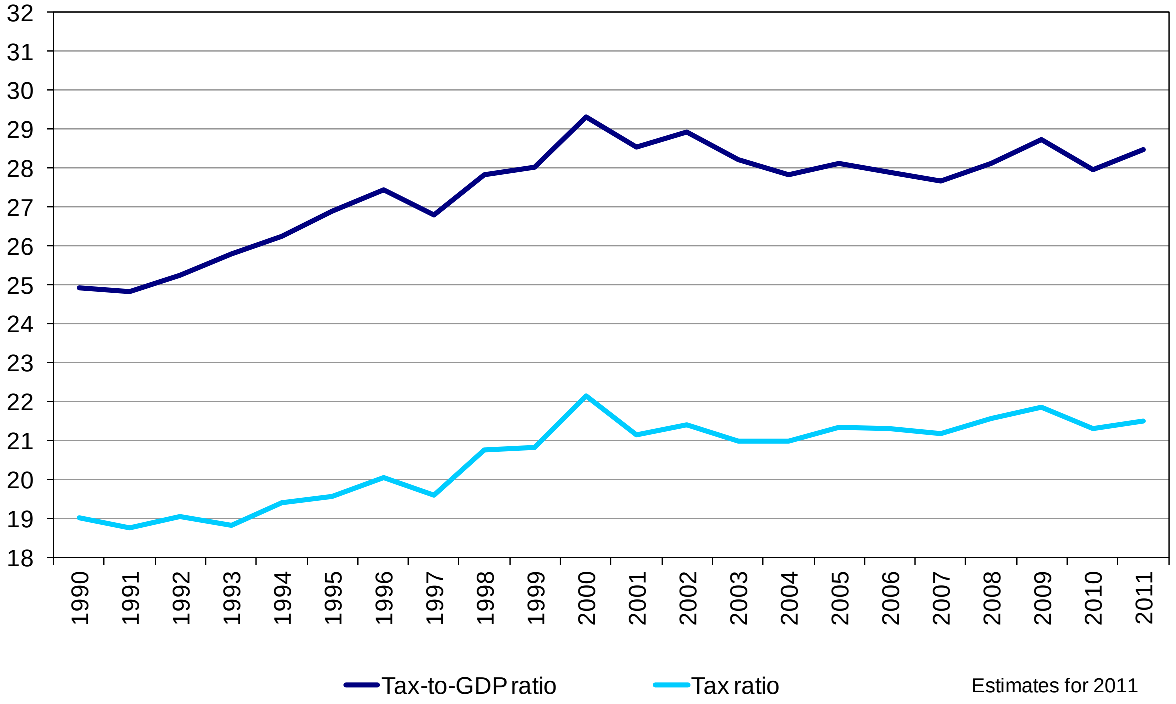


Table 1: Components of Switzerland's tax-to-GDP ratio, 1990-2011

in % of nominal GDP						
Year	Confederation (1)	Cantons (2)	Communes (3)	Tax ratio (1)+(2)+(3)	Public social security (4)	Tax-to-GDP ratio (1)+(2)+(3)+(4)
1990	8.5	6.1	4.4	19.0	5.9	24.9
1995	8.5	6.4	4.7	19.6	7.3	26.9
2000	10.9	6.5	4.7	22.1	7.2	29.3
2001	9.7	6.7	4.8	21.2	7.4	28.5
2002	9.6	7.0	4.8	21.4	7.5	28.9
2003	9.6	6.7	4.6	21.0	7.3	28.2
2004	9.7	6.8	4.5	21.0	6.8	27.8
2005	9.9	7.0	4.4	21.3	6.8	28.1
2006	10.0	6.9	4.4	21.3	6.6	27.9
2007	9.9	6.9	4.4	21.2	6.5	27.7
2008	10.5	6.8	4.3	21.6	6.5	28.1
2009	10.4	7.0	4.4	21.8	6.9	28.7
2010	10.2	6.8	4.3	21.3	6.7	28.0
2011	10.3	6.9*	4.3*	21.5*	7.0	28.5*

*Estimate

The 2011 tax-to-GDP ratio will probably amount to 28.5% of nominal gross domestic product (GDP), with a tax ratio of 21.5% and a social security contribution ratio of 7.0%. The increase on the previous year was primarily due to the rise in public social security contributions and the growth in federal tax receipts.

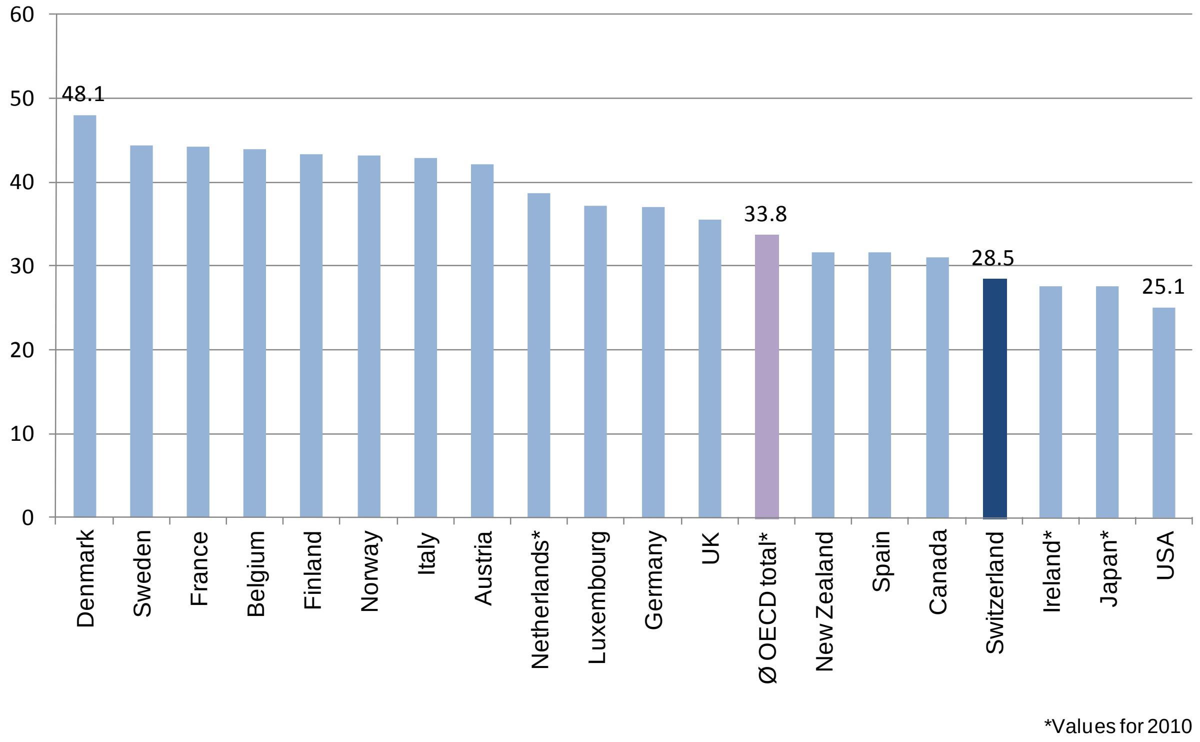
In 2011, the tax ratio posted a slight year-on-year increase of 0.2 percentage points. The rise of 0.1 percentage points for the Confederation was driven essentially by the VAT rate being raised to 8% as of 1 January 2011 and the reversal of withholding tax provisions. After having fallen for both the cantons and the communes in 2010, the tax-to-GDP ratio of the cantons rose slightly in 2011. Following a minor increase in 2009 and 2010, the growth in the cantons' tax receipts is likely to outstrip GDP growth somewhat in 2011. While the communes' tax receipts dipped slightly in 2009 and 2010, they are likely to pick up a little in 2011. The increase will be less than GDP growth, however, and will not impact the tax-to-GDP ratio.

The increase in the social security ratio was driven by the rise in contributions to unemployment insurance (revision of the Unemployment Insurance Act) and compensation for loss of earnings (EO). Effective as of 1 January 2011, the contribution to unemployment insurance was raised by 0.2 percentage points to 2.2% of the salary, and a 1% solidarity contribution was introduced for high incomes. The salary deductions for compensation for loss of earnings were pushed up by 0.2 percentage points to 0.5% from 1 January 2011 to the end of 2015. This temporary increase should enable the EO fund to have sufficient reserves again by the end of 2015.

Still low tax-to-GDP ratio by international standards

As in the past, Switzerland's tax-to-GDP ratio of 28.5% is low by international standards (Figure 2). Of the OECD countries shown here, which are comparable with Switzerland because of their level of development, only Japan, Ireland (2010 values) and the United States have a lower tax-to-GDP ratio. At 33.8% (2010 value), the average tax-to-GDP ratio for all OECD countries is once again significantly higher than the Swiss tax-to-GDP ratio. Denmark and Sweden are at the upper end of the scale with tax-to-GDP ratios of 48.1% and 44.5%, respectively.

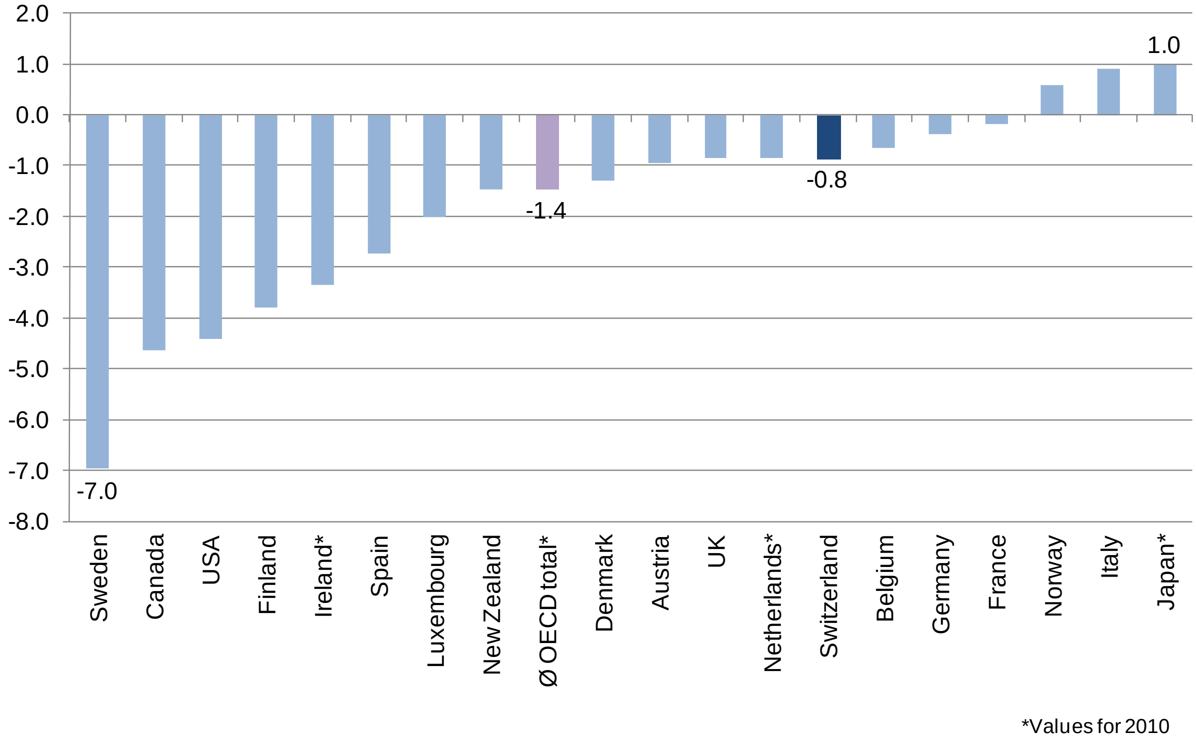
Figure 2: Switzerland's tax-to-GDP ratio in an international comparison, 2011



Source: OECD 2012

Figure 3 shows the change in the tax-to-GDP ratio posted by the selected OECD countries between 2000 and 2011. The tax-to-GDP ratio fell in most countries during the period under review, and rose only in Japan, Italy and Norway. The sharpest increase was seen in Japan – a country with a comparatively very low tax burden. Despite already having lower values by international standards, the ratios of the United States and Canada plunged by 4.6 and 4.4 percentage points, respectively. Sweden's tax-to-GDP ratio has seen the sharpest decline since 2000 (down 7 percentage points), but it nevertheless remains one of the highest in the OECD. The tax-to-GDP ratio in Switzerland edged downwards by 0.8 percentage points between 2000 and 2011.

Figure 3: International comparison of the percentage point change in the tax-to-GDP ratio between 2000 and 2011



Source: OECD 2012

Table 2: International comparison of tax-to-GDP ratios, 1990-2011

in % of nominal GDP							
	1990	1995	2000	2005	2009	2010	2011
Switzerland	**24.9**	**26.9**	**29.3**	**28.1**	**28.7**	**28.0**	**28.5**
Belgium	41.9	43.5	44.7	44.5	42.5	43.5	44.0
Denmark	46.5	48.8	49.4	50.8	47.7	47.6	48.1
Germany	34.8	37.2	37.5	35.0	37.3	36.1	37.1
Finland	43.7	45.7	47.2	43.9	42.8	42.5	43.4
France	42.0	42.9	44.4	44.1	42.5	42.9	44.2
UK	35.5	34.0	36.4	35.4	34.2	34.9	35.5
Ireland	32.8	32.1	31.0	30.1	27.7	27.6	-
Italy	37.6	39.9	42.0	40.6	43.0	42.9	42.9
Japan	28.6	26.4	26.6	27.3	27.0	27.6	-
Canada	35.9	35.6	35.6	33.2	32.1	31.0	31.0
Luxembourg	35.7	37.1	39.1	37.6	37.7	37.1	37.1
New Zealand	36.9	36.2	33.2	36.6	31.6	31.5	31.7
Netherlands	42.9	41.5	39.6	38.4	38.2	38.7	-
Norway	41.0	40.9	42.6	43.2	42.4	42.9	43.2
Austria	39.7	41.4	43.0	42.1	42.5	42.0	42.1
Sweden	52.3	47.5	51.4	48.9	46.6	45.5	44.5
Spain	32.5	32.1	34.3	36.0	30.9	32.3	31.6
USA	27.4	27.8	29.5	27.1	24.2	24.8	25.1
Ø OECD total	33.0	34.5	35.2	34.9	33.7	33.8	-

Source: OECD 2012